

+Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant Green Arrow Capital SGR

Summary

Green Arrow Capital SGR (“GAC”) considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of GAC.

This statement on principal adverse impacts (PAIs) on sustainability factors covers the reference period from 1 January to 31 December 2023.

Green Arrow Capital SGR aims to act as a responsible investment platform with multiple business units active in clean energy & infrastructure, private equity and private credit investments. At the end 2022 the platform consists of the following “vintage” funds:

- Green Arrow Private Debt Fund I (“GAPDF I”) – private debt – vintage 2016
- Green Arrow Energy Fund (“GAEF”) – clean energy – vintage 2015
- Green Arrow Private Equity Fund 3 (“GAPEF 3”) – private equity– vintage 2015
- Fondamenta Due – fund of funds – vintage 2011
- Microfinanza I (“MF I”) – impact microfinance (debt) – vintage 2010

and newly launched investment strategies that promote environmental and social characteristics or that have sustainable investments as objective:

- Green Arrow Infrastructure of the Future Fund (“GAIF”) – clean energy & infrastructure (art. 9 SFDR)
- Green Arrow Private Equity Fund 4 (“GAPEF 4”) – private equity (art. 8 SFDR)
- Green Arrow Private Debt Fund II (“GAPDF II”) – private debt (art. 8 SFDR)

of which GAIF and GAPDF II are the only fund that already made investments during the reporting period.

The total amount invested represented by the investments that concur to the calculation of the PAIs (“in-scope investments”) accounts for the 56% (vs 32% in 2022) of the Net Asset Value of Green Arrow Capital SGR, net of cash, cash equivalents, derivatives, and the assets under development (non-operational) of GAIF. The data coverage disclosed in the “Explanation” column of the table below reports the share of investments on the total in-scope investments that concurs to the calculation of that specific indicator.

The objective of the funds’ upcoming reporting is to have more detailed information, both in terms of qualitative and quantitative terms. For this purpose, the SGR commits to improve the data collection on vintage investments. Moreover, future investments from GAPEF 4 and GAPDF II are expected to populate our ESG data management system.

Sintesi

Green Arrow Capital SGR (“GAC”) prende in considerazione i principali effetti negativi delle proprie decisioni di investimento sui fattori di sostenibilità. La presente dichiarazione è la dichiarazione consolidata sui principali effetti negativi sui fattori di sostenibilità di GAC.

La presente dichiarazione sui principali effetti negativi (PAI) sui fattori di sostenibilità riguarda il periodo di riferimento dal 1° Gennaio al 31 Dicembre 2023.

Green Arrow Capital SGR si propone come piattaforma di investimento responsabile con diverse business unit attive nel settore dell'energia rinnovabile e delle infrastrutture, del private equity e del private credit. Alla fine del 2022 la piattaforma è composta dai seguenti fondi "vintage":

- Green Arrow Private Debt Fund I (“GAPDF I”) – private debt – vintage 2016
- Green Arrow Energy Fund (“GAEF”) – energia rinnovabile – vintage 2015

- Green Arrow Private Equity Fund 3 (“GAPEF 3”) – private equity– vintage 2015
- Fondamenta Due – fondo di fondi – vintage 2011
- Microfinanza I (“MF I”) – microfinanza ad impatto (debt) – vintage 2010

e dalle strategie di investimento lanciate di recente che promuovono caratteristiche ambientali e sociali o che hanno come obiettivo investimenti sostenibili:

- Green Arrow Infrastructure of the Future Fund (“GAIF”) – energia rinnovabile & infrastrutture (art. 9 SFDR)
- Green Arrow Private Equity Fund 4 (“GAPEF 4”) – private equity (art. 8 SFDR)
- Green Arrow Private Debt Fund II (“GAPDF II”) – private debt (art. 8 SFDR)

Di questi, GAIF e GAPDF II sono gli unici fondi che hanno già effettuato investimenti nel periodo di riferimento.

Il valore totale di tutti gli investimenti che concorrono al calcolo dei PAI (“investimenti in perimetro”) rappresenta il 56% (vs 32% nel 2022) del Net Asset Value di Green Arrow Capital SGR, al netto delle disponibilità liquide e degli strumenti equivalenti, dei derivati e delle attività in sviluppo (non operative) del fondo GAIF. La copertura dei dati riportata nella colonna “Explanation” della tabella sottostante riporta la quota di investimenti sul totale degli investimenti in perimetro che concorre al calcolo di quello specifico indicatore.

L’obiettivo per la prossima rendicontazione è quello di avere informazioni più dettagliate, sia in termini qualitativi che quantitativi. A tal fine, la SGR si impegna a migliorare la raccolta dei dati sugli investimenti vintage. Inoltre, si prevede che i futuri investimenti di GAPEF 4 e GAPDF II andranno a popolare il sistema di gestione dei dati ESG.

Indicators applicable to investments in investee companies

Adverse sustainability indicator	Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period	
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	4360.6 tCO2	0 tCO2	Coverage: 85% (Scope 1 and 2); 42% (Scope 3) The increase in all Scope 1, 2 3 indicators is due to the increase in the scope of data collection to 2022, in which data referred to green infrastructure (GAIF) only. The scope of 2023 includes vintage private equity and debt investments, as well as data from GAPDF II (art. 8 SFDR private debt). In particular, the strategy of GAPDF II is to agree on ESG targets with financed companies. In general, the ESG Responsible Investment policy of Green Arrow Capital SGR leads to excluding activities with high climate impact and excluding investments in the fossil fuel sector.	
		Scope 2 GHG emissions	3452.6 tCO2	93.6 tCO2		
		Scope 3 GHG emissions	5223.1 tCO2	5843.2 tCO2		
		Total emissions	13036.3 tCO2	5936.9 tCO2		

						<p>For GAPEF 3 (in fundraising) and GAPDF II (both art. 8 SFDR funds), the investment strategies are defined such that environmental topics are discussed with companies to define improvement plans and targets.</p> <p>Note that also sustainable investments of GAIF fall under high-impact climate sectors, as per NACE code, even if they have climate change mitigation and adaptation objectives, as per EU Taxonomy.</p>
	2. Carbon footprint	Carbon footprint	35.5 tCO2 per million EUR invested	30.8 tCO2 per million EUR invested	Coverage: 87% (vs 36% 2022)	<p>The scope of 2023 includes vintage private equity and debt investments, as well as data from GAPDF II (art. 8 SFDR private debt).</p> <p>The increase in the Carbon footprint indicator is due to the increase in the scope of data collection to 2022, in which data referred to green infrastructure (GAIF) only.</p>
	3. GHG intensity of investee companies	GHG intensity of investee companies	537.0 tCO2 per million EUR of revenue	885.5 tCO2 per million EUR of revenue	Coverage: 87% (vs 36% 2022)	<p>The scope of 2023 includes vintage private equity and debt investments, as well as data from GAPDF II (art. 8 SFDR private debt). The decrease in GHG</p>

						intensity is due to an increase in revenues to GAC SGR above the GHG emissions for which the portfolio companies are responsible.
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0%	0%	Coverage: 100% (-)	In general, ESG Responsible Investment policy of Green Arrow Capital SGR leads to excluding activities with high climate impact and excluding investments in the fossil fuel sector.
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	41%	0%	Coverage: 97% (vs 36% 2022)	The increase in the Energy Consumption Intensity per high climate Impact Sector indicators is due to the increase in the scope of data collection for 2022, in which data referred to green infrastructure (GAIF) only.
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	1.28 GWh per million EUR of revenue	0.07 GWh per million EUR of revenue	Coverage: 97% (vs 36% 2022)	The increase in the Energy Consumption Intensity per high climate Impact Sector indicators is due to the increase in the scope of data collection to 2022, in which data referred to green infrastructure (GAIF) only.

Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0%	0%	Coverage: 100% (-)	GAC did not recognize any investee companies located in or near biodiversity-sensitive areas whose activities have negative impacts on such areas.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0%	0%	Coverage: 65% (vs 36% 2022)	The production process of companies included in the 2023 coverage does not generate emissions to water.
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	1.8 tonnes per million EUR invested	0	Coverage: 94% (vs 36% 2022)	The increase in this ratio is due to the increase in the scope of data collection to 2022, in which data referred to green infrastructure (GAIF) only. The hazardous waste generated by the company is properly managed according to local legislation.

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0%	0%	Coverage: 100% (-)	Private equity and debt investments, as well as any other activities in which GAC is invested in have not been involved in any violations of such principles. In addition, Green Arrow Capital SGR participates to the UN Global Compact and is committed to transfer these principles to investee companies, as well as into the formation and management of SPVs underlying infrastructure funds.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles	43%	6%	Coverage: 100% (vs 36% 2022)	The increase in all indicators is due to the increase in the scope of data collection to 2022.

		or OECD Guidelines for Multinational Enterprises				
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	12%	N/A	Coverage: 68% (vs 0% 2022)	GAIF investments are excluded from the computation since this indicator is not applicable to infrastructure investments managed by SPVs consisting of a single manager from the managing fund and no employees.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	12%	12%	Coverage: 100% (vs 65% 2022)	GAIF investments are excluded from the computation since this indicator is not applicable to green infrastructure investments managed by SPVs consisting of a single manager from the managing fund.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0%	0%	Coverage: 100% (-)	Such products/activities are avoided by the ESG Responsible Investment Policy of Green Arrow Capital SGR and no portfolio is invested in defense securities or companies involved in such practices.
Indicators applicable to investments in sovereigns and supranationals						

Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries	0%	0%	The investment strategy of Green Arrow Capital SGR does not encompass investments in sovereign and supranational securities.	
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	0%	0%		
Indicators applicable to investments in real estate assets						
Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the	0%	0%	The investment strategy of Green Arrow Capital SGR does not encompass investments in sovereign and supranational securities.	

		extraction, storage, transport or manufacture of fossil fuels				
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	0%	0%		
Other indicators for principal adverse impacts on sustainability factors						
Other indicators for principal adverse impacts on sustainability factors						
Emissions	1. Investing in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	22%	24%	Coverage: 100% (vs 65% 2022)	With regards to this indicator, vintage funds did not include engagement on sustainability and climate topics in their bylaws, despite that some of the investee companies already had initiatives in place.
Human Rights	2. Lack of a human rights policy	Share of investments in entities without a human rights policy	60%	42%	Coverage: 100% (vs 65% 2022)	The increase in all indicators is due to the increase in the scope of data collection to 2022.

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

The identification of material sustainability issues is a process that involves multiple Green Arrow Capital governance levels, each for its functions and responsibilities, and so the principal adverse impacts of investment decisions. It means that interaction with stakeholders, market and regulatory context analysis inform such process on an ongoing basis. The following ESG governance functions carry out the process as follows:

- The ESG Committee¹ is in charge of supervising and reviewing the ESG policy and strategy. It may also define the degree of materiality of the ESG factors that may impact the business, its investment portfolio and its stakeholders, taking into account the reports from the ESG Manager
- The ESG Manager reports to the ESG Committee and is responsible for ensuring, supervising and improving the implementation of the ESG policy and processes across the organization, collecting reports and information provided by the ESG Champions
- ESG Champion: The ESG Specialist appointed within the investment team of each single fund, shall be responsible for the assessment and monitoring of sustainability risks and opportunities during pre-investment, ownership and exit.

The prioritization of principal adverse impacts on sustainability factors is mainly driven by:

- GAC's ambition to climate change as reflected by the sustainable investments of GAIF
- The identification of sector and company-specific material ESG issues in the pre-investment phase of newly launched funds (GAPEF 3 – in fundraising, GAPDF II, GAIF)

Engagement policies

There is no engagement strategy formalized for vintage funds investments (GAPDF I and GAPEF 3), while it is entailed by the investment strategy of newly launched private equity and debt funds (GAPDF II and GAPEF 4) that complies with art. 8 of SFDR but they did not make any investment during the reporting period of this document. Engagement activities/programs are not applicable in infrastructure investments as GAC operates through SPVs that manage specific infrastructure projects/investments.

¹ Chief Financial Officer, Chief Risk Officer, ESG Manager

References to international standards

Green Arrow Capital SGR is a signatory of the UN Principles for Responsible Investment since 2020 and a participant in the UN Global Compact since 2021, and is therefore committed to implementing these principles in all its practices.

As such, the following regulations and frameworks are taken into account where applicable and meaningful:

- OECD Principles of Corporate Governance and Guidelines for Multinational Enterprises;
- UN Convention on Corruption;
- UN Guiding Principles on Business and Human Rights;
- ILO conventions on labour standards;
- Universal Declaration of Human Rights;
- Children's Rights and Business Principles.

Historical comparison

In 2023, Green Arrow Capital SGR significantly broadened its data collection scope, incorporating diverse asset classes compared to 2022. This expansion led to notable increases in reported greenhouse gas emissions and energy consumption, reflecting the inclusion of new private equity and debt investments. Despite the higher emissions, GAC maintains a strong ESG focus, avoiding investments in high climate impact and fossil fuel sectors.

This holds also for the social indicators for which GAC has a limited management grip and no possibilities for active engagement (vintage private debt and equity investments). Finally, no investee companies were involved in violations of UN principles or controversial weapon manufacturing.

GAC continues to emphasize a responsible investment approach for newly launched art. 8 and 9 SFDR funds (GAPEF 4 – in fundraising, GAPDF II, GAIF). Such investment strategies allow for the agreement on ESG targets with investee companies, active engagement opportunities and direct contribution to EU Taxonomy objectives. The positive results are reflected in the present sustainability-related as well as in the documentation of GAPDF II and GAIF, available on the website of Green Arrow Capital SGR.